

Author: Hughes Analyst: Kristina North Bill Number: SB 246
 Related Bills: See Previous Analysis Telephone: 845-6978 Amended Date: 05/01/97
 Attorney: Doug Bramhall Sponsor: _____

SUBJECT: Employment of the Blind Employee Credit

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended _____.

X AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced/amended _____.

FURTHER AMENDMENTS NECESSARY.

X DEPARTMENT POSITION CHANGED TO **NEUTRAL**.

X REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED **FEBRUARY 4, 1997**, STILL APPLIES.

X OTHER - See comments below.

SUMMARY OF BILL

Under the Personal Income Tax Law (PITL) and the Bank and Corporation Tax Law (B&CTL), this bill would allow a credit equal to the amount of wages paid or incurred by a taxpayer to a blind employee during the first two years of employment. The credit would be limited to \$3,000 for the first taxable or income year of employment and \$2,000 for the second taxable or income year.

SUMMARY OF AMENDMENT

The May 1, 1997, amendment:

- eliminated, as a basis for this credit, expenses incurred by the employer to provide reasonable accommodation for a blind employee.
- defined "blind" as having the same meaning used for determining supplemental security income in the federal Social Security Act. Thus, an individual with a central visual acuity of 20/200 or less in the better eye with the use of a correcting lens is blind for the purposes of this credit.
- limited the credit to the first two taxable or income years of employment of a blind person by the taxpayer.
- ~~changed the first and second twelve months of employment to the first two~~

DEPARTMENTS THAT MAY BE AFFECTED:

____ STATE MANDATE

____ GOVERNOR'S APPOINTMENT

Department Director Position:

_____ S	_____ O
_____ SA	_____ OUA
<u>X</u> _____ N	_____ NP
_____ NA	_____ NAR

PENDING

Agency Secretary Position:

_____ S	_____ O
_____ SA	_____ OUA
_____ N	_____ NP
_____ NA	_____ NAR

DEFER TO

GOVERNOR'S OFFICE USE

Position Approved _____
 Position Disapproved _____
 Position Noted _____

Department/Legislative Director

Date _____

Agency Secretary

Date _____

By:

Date:

taxable or income years of employment.

- specified that if the wages which qualify the taxpayer for this credit are used as the basis for any other credit, the taxpayer may not claim this credit.
- deleted the carryover provision.

With the following exceptions, the department's analysis of the bill as introduced February 4, 1997, still applies.

Policy Considerations

As amended on May 1, 1997, the following policy considerations would apply. This bill:

- does not contain any carryover provisions. The department's analysis of this bill as introduced did indicate that the bill contained an unlimited carryover. However, recent policy has been to provide a carryover but to limit the carryover period since credits are typically exhausted in eight years.
- does not provide an aggregate cap (per taxpayer, per year, etc.) for the credit.
- could be claimed for blind individuals currently employed by the taxpayer.
- does not require the employer to continue to employ a blind employee for a specified period of time before claiming the credit. As a result, a single employee could generate multiple credits for different taxpayer employers.
- Conflicting tax policies come into play whenever a credit is provided for an expense for which preferential treatment is already allowed in the form of an expense deduction. This bill would allow the employer to claim this credit and the regular business expense deduction for the same wages, thus providing a double benefit. On the other hand, eliminating the double benefit would create a state and federal difference, which in this case would affect an expense deduction and would not create an ongoing difference.

Implementation Consideration

With the department's implementation concerns resolved, this bill would not significantly impact the department's policies or procedures.

Technical Consideration

Since the May 14, 1997, amendment eliminated reasonable accommodation as a basis for this credit, the definition for "reasonable accommodation" is no longer necessary. Amendments 1 and 2 would eliminate the definition.

FISCAL IMPACT

Department Costs

With the resolution of the department's implementation considerations, this bill would not significantly impact the department's costs.

Tax Revenue Estimate

The net impact of this bill is estimated to be revenue losses as follows:

Estimated Revenue Impact of SB 246 Beginning 1/1/97 Assumed Enactment After 6/30/97 (In Millions)			
Fiscal Year Impact			
1997-88	1998-89	1999-00	2000-01
(\$1)	(\$1)	(\$1)	(\$1)

This estimate does not account for changes in employment, personal income, or gross state product that might result from this bill.

Tax Revenue Discussion

The revenue impact of this bill would depend upon the number of employers who employ qualified blind individuals and incur qualified expenses (wages) and average tax liabilities for credit purposes.

The estimated losses were determined in several steps. First, the number of blind individuals who could qualify an employer for the credit was based on information from the California Department of Social Services (CDSS). According to CDSS, approximately 22,000 recipients received SSI/SSP benefits for being legally blind in 1996. The total number of potentially qualifying individuals were approximated based on California's population characteristics. According to the County and City Data book for 1994 (a supplement of the U.S. Statistical Abstract), approximately 86% of California's population 18 years and older are between the age of 18 and 64 (assumed employable age). Using that percentage yields an estimate of approximately 19,000 employable individuals who are considered legally blind. Of these individuals, it is estimated that nearly 5% (800 individuals) are currently employed statewide.

The next step was to determine the number of legally blind individuals who would qualify the employer for the credit. This was based on the assumption that the number of blind individuals employed would double over the next five years. Growth rates for estimating purposes were based on projected population growth. It was assumed that the author would amend this bill to ensure that a blind individual could not qualify more than one employer for this credit. Without this amendment, the revenue loss could increase.

Finally, an assumption was made that virtually all of the credit, \$3,000 in the first taxable or income year and \$2,000 in the second taxable or income year of employment, would be claimed for each employee hired by the employer. Since the number of blind individuals represents a small percentage of the population, it was assumed that virtually all of the credits generated would be applied in any given year.

POSITION

Neutral.

The staff's position is determined by administrative considerations and does not take into account tax policy considerations. However, this issues is discussed in this analysis.

Analyst	Kristina North
Telephone #	845-6978
Attorney	Doug Bramhall

FRANCHISE TAX BOARD'S
PROPOSED AMENDMENTS TO SB 246
As Amended May 1, 1997

AMENDMENT 1

On page 2, strikeout lines 36 through 38.

AMENDMENT 2

On page 4, strikeout lines 8 through 10.